

Section A – Multiple choice questions

1. What is credited in the bank account?
 - A. goods sold by cheque
 - B. cheques received
 - C. Pay by cash
 - D. purchase Motor van by cheque

2. In Mike's ledger, Tom's account shows a debit balance of \$6000. What does this mean?
 - A. Tom has paid Mike \$6000
 - B. Tom owes Mike \$6000
 - C. Mike has paid Tom \$6000
 - D. Mike owes Tom \$6000

3. A garage business buys a motor van which will be used for business purposes only. In which account will this transaction be recorded?
 - A. capital
 - B. motor expenses
 - C. motor vehicles
 - D. purchases

4. What is the purpose of double entry bookkeeping?
 - A. to apply the dual aspect concept
 - B. to avoid errors
 - C. to prepare books of prime entry accurately
 - D. to record revenue and capital transactions correctly

5. Which is a non-current asset?
 - A. computer equipment
 - B. debtors
 - C. motor vehicle repairs
 - D. rent

6. Which account always has a debit balance among the list below?
 - A. Capital
 - B. Bank
 - C. Trade payables
 - D. Cash

7. Which is a debit balance?
 - A. accrual
 - B. asset
 - C. liability
 - D. revenue

8. Which are only assets?
 - A. Water, Lands, Computers
 - B. Stationery, Motor Van, Equipment
 - C. Furniture, Computer, Trade payables
 - D. Furniture, Computer, Trade receivables

9. Brown charged Jones for carriage on goods delivered to Jones' premises.
What entries will Brown make in his ledger?

	Debit	Credit
A.	Carriage inwards	Jones
B.	Carriage outwards	Jones
C.	Jones	Carriage inwards
D.	Jones	Carriage outwards

10. Both carriage inwards and carriage outwards accounts are:
- Assets
 - Income
 - Expenses
 - Liabilities
11. What is the purpose of a trial balance?
- to calculate a provisional net profit for a financial year
 - to confirm that the cash book balance agrees with the bank statement balance
 - to confirm that the total debit balances agree with the total credit balances
 - to show the assets and liabilities of a business at a certain date
12. Which group is included on same side of the trial account?
- Water, Revenue
 - Insurance, Return outwards
 - Delivery Van, carriage outwards
 - Capital, Motor van
13. Another name for Capital is:
- Asset
 - Liability
 - Equity
 - Loan
14. To balance the Drawings account, we use:
- Transfer to income statement
 - Transfer to trial balance
 - Transfer to Statement of Financial
 - Balance carried down and Balance brought down
15. A business decides to record inventory of stationery as an asset only if the value is over \$100.
Which accounting principle is being applied?
- accounting entity
 - historical cost
 - matching
 - materiality
16. 'Final accounts should include all the costs and income for the accounting period to which they relate.'
Which accounting principle is being observed?
- accounting entity
 - going concern
 - matching
 - money measurement

17. Ben, a trader, started purchasing goods on credit from David on 1 March.
Transactions during March were as follows.

	\$
Purchases	1800
Cash paid	1000
Purchases returns	80

What is the closing balance of David's account in the books of Ben?

- A. \$720 debit B. \$720 credit C. \$880 credit D. \$880 credit
18. A trader takes goods that have a selling price of \$200 from his shop for his own use. The cost price of these goods is \$150.
How is this transaction recorded in his accounting records?

	account debited -\$	account credited-\$
A.	Drawings \$200	Purchases \$200
B.	Purchases \$200	Drawings \$200
C.	Drawings \$150	Purchases \$150
D.	Purchases \$150	Drawings \$150

19. X Ltd owed its staff one week's wages at the end of its financial year. It added this amount to the wages actually paid during the year to get the total wages expense for the year.
Which accounting principle was being used?
- A. accounting entity
B. going concern
C. matching
D. money measurement
20. Bookkeeping includes:
- A. Proper use of financial statements
B. Preparing of statement of financial position
C. Recording using double entry system
D. Preparation of income statement

Section B Structured Questions**Question 1**

State the account to be debited and credited. The first one has been done as an example.

	Transactions	Account to be debited	Account to be credited
1.	Bought goods by cash		
2.	Sold goods on credit to Tim		
3.	Pay for carriage to bring in goods		
4.	Return goods to Sam		
5.	Withdraw goods for personal use		
6.	Withdraw cash for personal use		

Question 2.

Fiona deals in buying and selling of furniture. As at 31st Dec 2018, the following balances were found.

	\$
Cash balance	3000
Bank balance	5000 Dr
Ronny account	400 Dr
Jane account	100 Cr

The following transactions took place during month of January 2019.

- Jan 2 Purchase goods on credit from Jane \$2 000
- Jan 4 Sold goods by cash to Pam \$1 000
- Jan 5 Sold goods on credit to Ronny \$1 500
- Jan 10 Purchase goods by cheque \$ 700
- Jan 16 Ronny return goods \$100 for goods.

Required:

Prepare and balance following accounts as at 31st January 2019.

- i. Jane account
- ii. Cash account
- iii. Ronny account
- iv. Bank account

Question 3

- a) Differentiate between accounting and bookkeeping.
- b) Explain shortly the following concepts:
 - i. Prudence concept
 - ii. Matching concept
 - iii. Going concern concept
 - iv. Money measurement concept

Question 4

Kimberly, a sole trader, extracted the following balances from his books of account on 31 December 2019.

	\$
Computer	10 000
Provision for doubtful debts	800
Water	300
Revenue	25 000
Electricity	700
Commission received	1 200
Drawings	3 000
Trade payables	2 200
Trade receivables	5 000
Bank	1 200
Cash	20 000
Purchase returns	2 000
Opening Inventory	7 000
Capital	?

Required:

- a) Prepare a trial balance for Fiona as at 31st December 2019.
- b) State two advantages of preparing a trial balance.